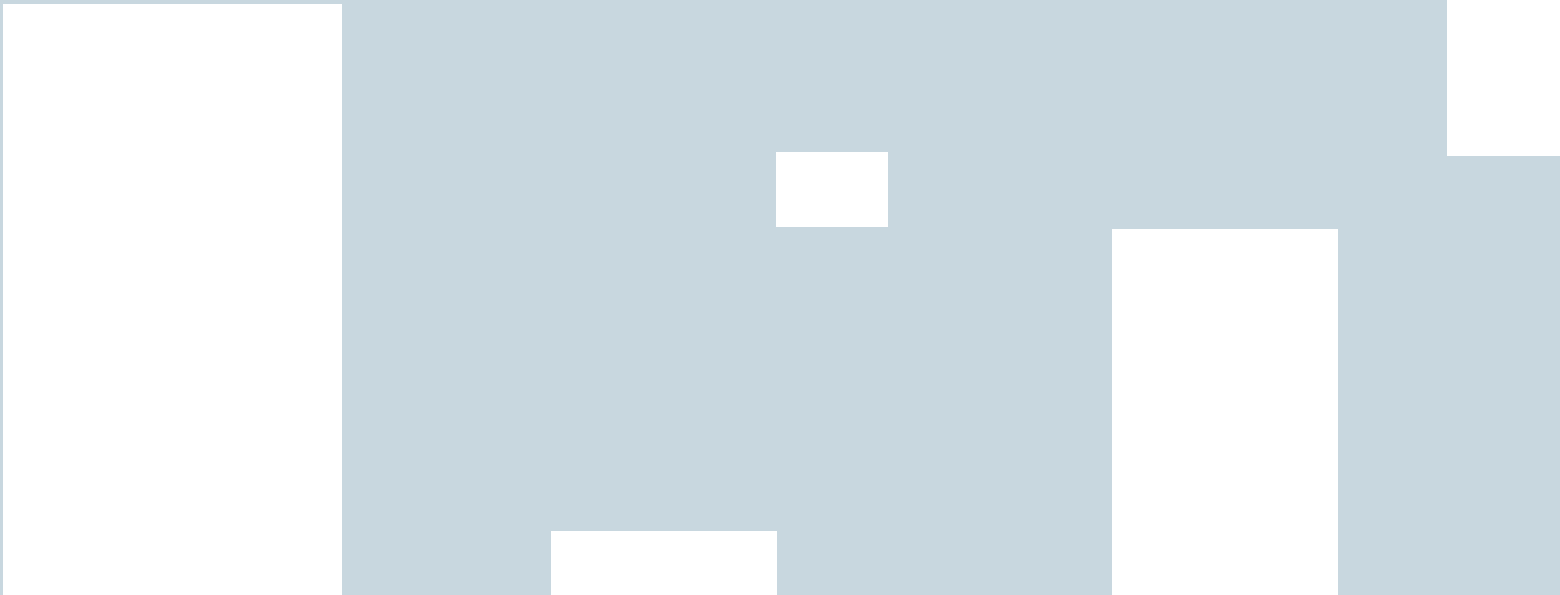
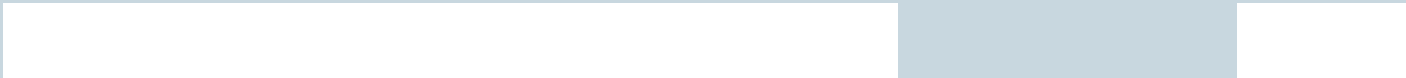


State of Delaware – Group Health Insurance Program

January 2017

Healthcare Trend Variability Analysis



Background

- Self-funded projections carry some level of volatility due to many outside factors including, but not limited to, the following:
 - Size of the enrolled population
 - Claim utilization patterns
 - Large claimant exposure and stop loss policies
 - Benefit plan designs
 - Enrollment patterns
 - Changes in unit costs for services and equipment/devices
 - Future marketplace trends
 - Future, unpredictable legislative changes
- In the analysis shown on the following page, we have provided statistical confidence intervals to better quantify and address volatility and risk tolerance concerns
- The financial projections shown in upcoming slides are based on utilizing the following data sources:
 - i. GHIP claims experience for active, pre-65 retirees, and Medicare retirees (10/1/2014 – 9/30/2016)
 - ii. Current GHIP plan designs (effective 7/1/16)
 - iii. GHIP enrollment and demographic profile as of September 2016
 - iv. Pricing methodology and assumptions as of January 23, 2017
 - v. Willis Towers Watson's proprietary Health Care Claims Continuance table, based on 2017 data

Note that the results shown in this document are directional and intended to foster an appropriate risk discussion. The results have no more or less credibility than the underlying financial projection.

Executive Summary

Variability Description	FY18 Budget Estimate		FY18 Budget Change over FY17 (%)		FY18 Budget Change over FY18 (\$)	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Expected Value (without margin)	\$781,729,000		-2.0%		(\$15,947,000)	
70% Percentile	\$770,495,000	\$792,964,000	-3.4%	-0.6%	(\$27,181,000)	(\$4,712,000)
90% Percentile	\$763,900,000	\$799,559,000	-4.2%	0.2%	(\$33,776,000)	\$1,883,000
95% Percentile	\$760,484,000	\$802,975,000	-4.7%	0.7%	(\$37,192,000)	\$5,299,000

- FY18 GHIP budget is projected to be \$781.7m, based on data through FY17 Q1 and assumptions outlined in the accompanying pricing methodology document dated January 23, 2017
- The above chart shows the potential cost range under three confidence intervals
 - For example, there is a 70% likelihood that GHIP actual costs will fall between \$770.5m and \$793.0m, based on current data available

Consideration: What is the State's risk tolerance for being over or under budget? What is considered a "reasonable" difference versus budget?